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SUBJECT: NODEL ENGLISH BRAZIL MEETINGS

1. (U) Summary: A congressional delegation led by Congressman Phil English, coordinator of the U.S. House of Representatives' Brazil Caucus, met on December 1 in Brasilia with Chamber of Deputies President Aldo Rebelo, Minister of Development, Industry and Trade Furlan and participated in a dialogue with members of the Chamber Foreign Relations Committee. Nodel participants called for the negotiation of a bilateral tax treaty and for continued progress in trade negotiations in both the WTO Doha Round as well as the Free Trade Area of the Americas (FTAA). Minister Furlan expressed pessimism on the outcome of the Hong Kong WTO ministerial, noting that an agreement on reducing agricultural subsidies must be reached before progress can be made on the other issues on the table. End Summary.

2. (U) Background: A congressional delegation led by Congressman Phil English, sponsored by the Congressional Economic Leadership Institute (CELI) and the Wilson Center for Scholars, visited Sao Paulo, Brasilia and Rio de Janeiro Brazil from November 28 to December 2. In addition to a substantive schedule in Sao Paulo, the group held meetings in Brasilia on December 1. The delegation included the following members of Congress: Congressman Phil English (R-PA), Congressman Mike Honda (D-CA) (Sao Paulo only), Congressman Jim Costa (D-CA), Congressman Dennis Cardoza (D-CA), Congresswoman Eddie Bernice Johnson (D-TX), and Congressman Michael Capuano (D-MA). The delegation's visit formed part of a CELI-sponsored effort to encourage dialogue among legislative branches of different countries. Delegation members also visited Sao Paulo and Rio de Janeiro.

Sao Paulo Meetings -- IPR, Ag and Bio-fuels

3. (U) In Sao Paulo, the Nodel visited the Brazilian Mercantile and Futures Exchange (BMF) and witnessed agricultural trading on the exchange floor. During the lunch hosted by the BMF, former Minister of Agriculture and current President of the Brazilian Beef Council Vinicius Moraes gave a complete overview of the Brazilian agricultural sector and urged greater cooperation with the U.S., including pursuing the FTAA. Deputy Mendes Thame (PSDB) discussed the virtues of bio-fuels. Congressman Capuano participated in a panel on IPR at the Amcham "International Negotiations" Forum. The delegation also visited the operations center of major U.S. information services company EDS in Sao Bernardo for a briefing on the information services market in Brazil. They closed out their Sao Paulo schedule with a visit to the Embraer factory in Sao Jose dos Campos.

Ministry of Development, Industry and Trade

4. (U) The delegation's meeting with Minister of Development, Industry, and Trade Luiz Furlan and Mario Mugnaini, Head of the GOB's Foreign Trade Council, focused on the Hong Kong Ministerial, ethanol and IPR. Congressman English, a "Cancun Veteran," commended Brazil for being a moderating force leading up to the Hong Kong Ministerial and discussed the USG's offer on agricultural subsidies. Minister Furlan, who was visibly exhausted, voiced pessimism about progress on the negotiations in the upcoming Hong Kong Ministerial, but said that Brazil was still going into the talks seeking an ambitious outcome. He added that he believed that there would have to be an additional ministerial meeting in March. Furlan stated that an agreement on agricultural subsidies must be reached prior to further movement on any of the other issues on the table, noting that a key question will be the timing for phasing out export subsidies. He characterized the agricultural subsidies issue as a social matter.

5. (U) Congressional representatives Costa and Cardoso voiced their concerns about reducing agricultural subsidies while Congressman Capuano, noting that his district contains MIT and other R&D institutions, emphasized the need for

stronger IPR enforcement. Furlan declared that Brazil has a strong regime governing IPR protection and that IPR enforcement is a problem worldwide, including the US. He stated that Brazil's IT service market is growing and exports are expected to reach \$2 billion in 2007, adding that the gray market for PCs has shrunk and that Microsoft has launched low-priced windows software.

16. (U) Minister Furlan then turned to the subject of ethanol, noting that energy is a strategic issue in the U.S. Furlan noted that he had met with the U.S. Secretaries of Agriculture, Commerce and Energy as well as the California State government to discuss the GoB's offer to transfer ethanol production technology to the U.S. Brazil has 30 years of experience in ethanol production and 60% of Brazilian new cars sales are of flex-fuel vehicles. He said that Brazil has 50 new ethanol projects and that ethanol exports have increased by 800 million liters to three billion liters over the past three years.

Chamber of Deputies Sessions

17. (U) After a courtesy call on Brazilian Chamber of Deputies President Aldo Rebelo, Nodel English members participated in a session of the Chamber of Deputies' Foreign Relations Committee. The dialogue centered primarily on a few broad themes, including bilateral economic relations, multilateral trade negotiations, the environment, migration issues, the war in Iraq and the war on terror. Congressman English called for the negotiation of a bilateral tax treaty.

18. (U) Multiple Members of the U.S. Congress and the Brazilian Chamber of Deputies called for progress in multilateral trade negotiations. Congressman English emphasized the economic benefits of free trade, highlighting a World Bank study that predicted a successful Doha Round would lift hundreds of millions of people out of poverty. English called for Brazil to show leadership in the Doha Round negotiation process, warning that there needed to be progress on services in order for the U.S. to show flexibility on agriculture. Other Nodel members also called for progress towards a FTAA that includes adequate protections for labor and the environment. A majority of the Brazilian Deputies present emphasized the importance they place on a "balanced" FTAA. One noted the Brazilian Congress lacks a mechanism to monitor and set limits on the executive branch as Trade Promotion Authority (TPA) does in the U.S. system.

19. (U) Migration - Multiple Brazilian Deputies emphasized the importance they place on the protection of Brazilian immigrants in the United States. Representative Cardoza acknowledged the important role immigrants play in the U.S. economy but highlighted the importance of reducing illegal immigration to preserve the rule of law and mitigate the stresses on government social services. Deputy Nelson Marquezelli argued that the FTAA could help slow migration to the U.S. as it opened up more opportunities for Brazilians at home.

10. (U) Environment - Deputy Andre Costa, seconded by Foreign Relations Committee Chairman Cedraz and other deputies, called for the U.S. to play a "more responsible" international role on global environmental issues. Congressmen Capuano and Jim Costa noted their belief that the USG needed to do more to reduce global warming but emphasized that there was a vigorous debate on environmental issues both in the Congress and among the U.S. public. Congressman English underlined the importance of policies based on "sound" science. He further argued that the Kyoto Protocol was fatally flawed because major developing nations such as China had opted to remain outside the system.

11. (U) War in Iraq - Brazilian deputy Socorro Gomes, of the Communist Party, sharply criticized the war in Iraq, prompting a defense of USG actions from Deputy Marquezelli (of the PTB party). Congressman English argued that Islamic terrorism represented a threat to all of the Americas.

12. (U) This cable was not cleared by NODEL prior to transmission.

CHICOLA